

8th February 2019

Correction to December 2018 quarterly report

Molopo Energy Limited provides an update to its December 2018 quarterly activities report to advise of a correction to the Timetable orders made by the Supreme Court of Victoria.

Page 5, Point 7 to read “mediation to take place by 9 August 2019 but not before 19 July 2019”.

Yours sincerely,
Andrew Metcalfe,
Company Secretary

Molopo Energy Limited (“**Molopo**” or the “**Company**”) presents its quarterly activities report for the three-month period ended 31 December 2018. *(Definitions are found at the end of this report).*

The Directors of Molopo were not in a position to release the Quarterly Activities Report by the due date in accordance with ASX Listing Rules as the Directors were reviewing and seeking confirmation on material matters included in this report.

Executive Summary

The Board of Molopo continues to undertake detailed investigations into the Orient Transactions that were entered into by former directors of the Company culminating in the Combination Transaction. The Orient / Drawbridge Transactions were entered into without seeking shareholder approval which the Current Directors maintain, was in breach of ASX Listing Rules, ASX continuous disclosure obligations and provisions of the Corporations Act which is supported by the findings of the Takeovers Panel.

The Orient / Drawbridge Transactions are a combination of a US\$14 Million investment to acquire all issued shares in Orient FRC Limited, which in turn owns a 30% non-voting A class share interest in Drawbridge for which Molopo contributed US\$18 Million under the Contribution Agreement in February 2018, plus incurring a further US\$3 Million of associated expenses.

As a result of the Orient / Drawbridge Transactions, the Company’s cash reserves were depleted from AU\$66.2 Million at 30 June 2017 to AU\$15 Million as of 30 June 2018 with the only significant asset currently held by Molopo other than its cash reserves (AU\$13.31 Million as at the end of the December quarter), being the 30% non-voting interest in Drawbridge which is a company registered in the British Virgin Islands.

The Current Directors continue to have serious concerns ascribing any value to its interest in Orient and the 30% non-voting interest in Drawbridge. After undertaking investigations and seeking external advice, the Current Director's assessment of the oil & gas exploration and production assets held by Drawbridge is that their market value is most likely significantly less than the value implied by the Orient / Drawbridge Transactions and that there is little chance that they will deliver any meaningful value for Molopo in the near future.

With the objective of recovering value for Molopo shareholders, the Current Directors are vigorously pursuing legal proceedings against former directors of the Company responsible for entering into these transactions to hold them accountable for breach of directors' duties. Molopo and Orient are also pursuing proceedings against Drawbridge to prevent the dissipation of funds from Drawbridge and obtain financial reports as required under the Contribution Agreement.

The Current Directors firmly believe this provides the best chance for Molopo shareholders to recover value from the actions undertaken by former directors of the Company.

During the December quarter, Molopo received payment of AU\$162,526 from its insurers after receiving costs Orders against the Former Directors from the Takeovers Panel, after the Takeovers Panel declared Unacceptable Circumstances with respect to the actions of the Former Directors during the Aurora Takeover Bid.

The Orders issued by the Takeovers Panel included highly critical findings in respect of the actions taken by the Former Directors, supporting the Current Directors strong belief that the Former Directors did not act in the best interests of all shareholders and were in breach of ASX Listing Rules, ASX continuous disclosure obligations and provisions of the Corporations Act. The payment was made under the Company's D&O policies which provide a total of AU\$30 Million in cover to the Company.

Molopo also received a payment during the December Quarter in the amount of AU\$89,413 relating to an unresolved claim against the Company's former Chairperson M/s Samantha Tough in respect of the recovery of a retirement benefit received by her under section 200B of the Corporations Law without shareholder approval. The Current Directors sought to recover the additional sum of AU\$67,847.25 being the PAYG Tax component that was paid to the ATO and at the date of this report that amount has been received from the ATO together with interest.

Suspension from trading on ASX

Molopo's shares have been suspended from trading since 27 July 2017 as a result of failing to satisfy ASX's requirement for a sufficient level of operations.

As previously reported, the Company is not pursuing any new oil and gas activities (outside of those which it holds indirectly through its interest in Drawbridge) and will consider this only when

the actions against the former directors are completed. It is therefore likely that trading in the Company's shares will remain suspended for the foreseeable future.

Whilst the Current Directors recognise that this is extremely frustrating for shareholders, the Current Directors are committed to recover the maximum amount of value possible for shareholders and believe the best way to do so is through the actions summarised above and detailed below.

Drawbridge Operations

In the September 2018 quarter, Drawbridge lodged an application with the Florida Department of Environmental Protection seeking approval to drill one well in Hendry County, Florida, being an area the subject of the Orient Project. Drawbridge have not advised Molopo of the current status of the application. However, by accessing public records, Molopo understands that such application is still being assessed.

Details of this application can be found under Permit Application Number 1383 at <https://floridadep.gov/water/oil-gas/content/current-applications>

During the December quarter, Drawbridge provided Molopo with a brief operations update for the June and September quarters on the other oil & gas properties which Drawbridge operates (and in which Molopo holds a 30% non-voting interest). No information was provided by Drawbridge for the December quarter.

According to this operations update (which Molopo has not been able to independently verify), Drawbridge continues to acquire leased lands on two assets held by subsidiary companies of Drawbridge, SDB Energy LLC and SDB Offshore Energy LLC, however, no production activity has been undertaken on either asset. On a third subsidiary company, Fenix DB LLC, production has continued with an average production of 45 bbls per day in the June quarter reducing to an average production of 39 bbls per day in the September quarter after field optimisation activity and the drilling of 2 new wells in the September quarter.

Unaudited financial accounts provided by Drawbridge show a remaining cash balance as of 30 September 2018 of approximately US\$5.82 Million. If these financial accounts are accurate (which Molopo has been unable to verify given that Drawbridge has not provided any supporting evidence) then Drawbridge has, since February 2018, spent in excess of US\$15 Million of the capital contributed by Molopo, on acquiring oil and gas properties and operating expenses including management fees paid to Drawbridge management and their related entities.

Capital, Operating Expenses and Financial Reporting

Molopo held AU\$13.31 Million in cash reserves at the end of the December 2018 quarter (excludes cash remaining in Drawbridge).

Operating expenses during the quarter were AU\$1.22 Million which mainly comprised of the annual D&O insurance premium, legal expenses and payment of some historical operating expenses incurred by former directors. Molopo was able to recover AU\$162,526 from its D&O insurers following the receipt of the Takeovers Panel Costs Orders against the Former Directors and the refunded payment of AU\$89,413 from a former Chairperson, as referred to above.

After initiating legal proceedings in the USA to force Drawbridge to provide Molopo with financial accounts in compliance with its obligations under the Contribution Agreement, Molopo has received from Drawbridge some unaudited financial information. This enables Molopo to complete its June 2018 Half-Year Financial Report.

Legal actions

Molopo Energy Canada Limited - During the December quarter, Molopo was informed that the plaintiff who initiated the long-standing legal action in Canada concerning the Company and Molopo Energy Canada Ltd, a wholly owned subsidiary of the Company, appointed new legal counsel in Calgary. The Company has not been advised of any changes to the status of the action brought by the plaintiff.

Drawbridge – the Company is actively pursuing legal claims in the USA against Drawbridge, as well as against Mr Michael Keener (Keener), Mr Darko Horvat (Horvat) and Sopris Energy Investments, Ltd. (Sopris).

Mr Keener is a director of Drawbridge; and Mr Horvat, based upon Molopo's knowledge and belief as a result of pursuing these proceedings, is a principal of Sopris, which is the majority 70% shareholder of Drawbridge and holds 100% of the voting rights in Drawbridge which it appears to have acquired without contributing any cash or other assets to the transaction. (Molopo indirectly holds the other non-voting 30% shareholding of Drawbridge, through its wholly owned subsidiary, Orient FRC Ltd).

The Current Directors intend to continue its investigations, pursue all legal avenues available to Molopo to unwind the Orient / Drawbridge Transactions and recover the funds invested by the Company in the Combined Transactions.

Former Directors and Ronnen Rosengart – In the September 2018 quarter, the Current Directors notified its D&O Insurers that Molopo was making a claim under the policies against Former Directors and the Company has initiated proceedings in the Supreme Court of Victoria against the Former Directors and Mr Ronnen Rosengart for breach of directors' duties in relation to committing Molopo to the Orient / Drawbridge Transactions. Mr Alexandre Gabovich, another former director of Molopo, was also served with a Notice of Claim for breach of directors' duties and may be joined as a party to this legal action.

The Company will vigorously pursue its claims in the Supreme Court of Victoria against the above-mentioned former directors of the Company and is confident that this will result in a successful recovery against the former directors and under the Company's D&O policy. The applicable D&O policies provide a total of AU\$30 Million in cover to the Company.

Due to the sheer volume of discoverable documents in the proceedings, the Timetable orders were made by the Supreme Court of Victoria on 18 October 2018 have been amended with the consent of the parties as follows:

1. the plaintiff file and serve replies to the defences by 1 February 2019;
2. the plaintiff file and serve any defence to Mr. Johal's claim by 1 February 2019;
3. the parties give discovery by 8 February 2019;
4. the plaintiff file and serve expert evidence by 26 April 2019;
5. the defendants file and serve expert evidence by 21 June 2019;
6. the plaintiff file and serve evidence in reply by 12 July 2019;
7. Mediation to take place by 9 August 2019, but not before 19 July 2019;
8. The matter be listed for further directions hearing on 16 August 2019.

The Current Directors will provide updates in accordance with its continuous disclosure obligations.

DEFINITIONS:

Aurora Takeover Bid	Aurora Funds Management Limited as responsible entity of the Aurora Fortitude Absolute Return Fund off-market takeover bid for Molopo announced on 12 September 2017
Combination Transaction	The transactions entered into pursuant to the Contribution Agreement between Orient and Drawbridge pursuant to which Orient agreed to (i) assign Orient's interest in the Orient Project to Orient US at completion and (ii) transfer its 100% interest in Orient US to Drawbridge, in consideration for receipt of a 30% non-voting interest in Drawbridge
Contribution Agreement	Agreement between Orient and Drawbridge that required Orient to provide US\$18 million to Drawbridge to fund exploration activities on oil & gas assets acquired by Drawbridge; and for Drawbridge to provide quarterly financial reports under the agreement
Current Directors	Messrs Roger Corbett, Tony Hartnell, Ralph Curton and William Johnson
Drawbridge	Drawbridge Energy Holdings Ltd, a British Virgin Islands entity
EDA	The Exploration and Development Agreement, effective 1 July 2017, between Kerogen and Orient
ESGM	ESGM Investments Limited (special purpose vehicle said to be held by Dr Gil Feiler)
Former Directors	Messrs Baljit Johal, Matthew Cudmore, and Richard Matthews.
Kerogen	Kerogen Florida Energy Company LP
Orient	Orient FRC Ltd, a British Virgin Islands entity
Orient / Drawbridge Transactions	The Orient Transactions and the Combination Transaction
Orient Project	Orient's 50% working interest to explore for oil and gas in a mature oil province in South Florida, U.S.A. pursuant to the EDA
Orient Transactions	The acquisition by Molopo of 50% of Orient from Dr Gil Feiler, the redemption by Orient of 50% of Orient from ESGM and any loans by Molopo (or any of Molopo's subsidiaries) to Orient (or any of Orient's subsidiaries) or otherwise made in connection with the Orient Project

MOLOPO ENERGY LIMITED

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